HEALTH CARE ADVISORY BOARD
Meeting Summary
December 9, 2013

MEMBERS PRESENT
Marlene Blum, Chairman
Rose Chu, Vice Chairman
Bill Finerfrock, Vice Chairman
Dr. Michael Trahos, DO
Ann Zuvekas
Ellyn Crawford
Dr. Tim Yarboro
Dave West

STAFF
Sherryn Craig

GUESTS
Jane Raymond, Reston Hospital Center
Ed Stojakovich, Reston Hospital Center
Tracey White, Reston Hospital Center
Mark Runyon, Inova Health System
Jennifer Siciliano, Inova Health System
Karen Berube, Inova Health System
Michael Forehand, Inova Health System
Rosalyn Foroobar, Health Department
Robin Mullet, Health Department
Arsenio DeGuzman, Health Department

Call to Order
The meeting was called to order by Marlene Blum at 7:33 p.m.

October Meeting Summary
Karen Berube's title from the October 16 HCAB meeting will be changed from Assistant Vice President, Community Safety Net to Assistant Vice President, Population Health Management. Comments expressed by Dr. Trahos, DO will be modified to include the three-legged stool concept, which underscores the need to balance the interests of beneficiaries, hospitals, and community providers. The minutes were approved as corrected.

Charity Care Update
HCAB members received additional statistics on CHCN specialty care referrals. The data reveal a significant increase in specialty care referrals to UVA.

Ann Zuvekas provided information on specialty physician compensation. It was Dr. Trahos', DO opinion that Affordable Health Care (ACA), Electronic Health Record (EHR),

and e-prescribing requirements will have the affect of reversing provider gains in reimbursement.

Information on how much money UVA and VCU receive to provide charity care was also included in the December meeting packet. From a telephone conversation with Senator George Barker, Marlene Blum reported that the money budgeted for UVA and VCU, while substantial, is to be spent on inpatient services for indigent patients, not specialty care. However, UVA and VCU have become the two hospital systems in the region where all indigent patients go: Northern Virginians are routed to UVA while Richmond patients go to VCU.

Reston Hospital Center Annual Report

Jane Raymond, Chief Operating Officer (COO), Ed Stojakovich, Chief Financial Officer (CFO), and Tracey White, Vice President (VP) of Community and Government Affairs, provided Reston Hospital Center's (RHC) annual update, volunteering information on its capital development plans, investments/partnerships, and uninsured discount and charity care policies. RHC has a new CEO, John Deardorf, who was unable to attend the meeting due to a prior commitment.

RHC is a 187-bed, full-service, medical/surgical hospital serving western Fairfax and eastern Loudoun counties. It employs 1,200 skilled workers and 1,000 privileged physicians. In November, RHC began its 26th year as an affiliate of HCA – a healthcare system with more than 175 hospitals throughout the United States and Europe.

RHC is a private, for profit hospital. Ms. Raymond reported that RHC pays nearly $7.1 million in state and local taxes. RHC served 67,435 patients, had 46,950 emergency room visits, and delivered 3,388 babies in FY 2012. The hospital has received numerous accolades, including:

- Certified by the Joint Commission as a Primary Stroke Center
- The region's only certified Chest Pain Center
- Center of Excellence in Hip and Knee Replacement
- Certified by the Nurses Improving Care for Health System Elders
- Named a Top Performer on Key Quality Metrics by the Joint Commission
- Named a high performer in Orthopedics by U.S. News & World Reports
- Accredited in Radiation Oncology by the American College of Radiology
- Accredited Breast Center by the National Accreditation Program for Breast Centers
- Accredited Cancer program as recognized by the Commission on Cancer

The HCAB was particularly interested to learn of RHC's focus on transitional care management for seniors who are discharged from the hospital to home-based care. The program has demonstrated positive outcomes and RHC hopes to expand to more patients.

In September 2012, RHC broke ground on a $25 million Pavilion II Medical Office Building (MOB) that is set to open in January 2014. Construction is also underway to expand four operating rooms (ORs); work will be completed in late 2014.

HealthWorks for Northern Virginia (formerly the Jeanne Schmidt Free Clinic) represents RHC's most significant partnership. RHC's support for HealthWorks totals about $2 million annually in in-kind laboratory, pharmacy, and radiation services for residents in need.

Besides HealthWorks, RHC supports other community nonprofits focused on health care including the Medical Care for Children Partnership Foundation, the Alzheimer's Foundation, the Spinal Research Foundation, the American Cancer Society, and programs associated with Cornerstones (formerly Reston Interfaith).

RHC also contributes to the NoVA HealthForce and other academic institutions with funds, time, and talent to widen the pipeline of trained health professions in the Fairfax community. Some of these partners include George Mason University, Marymount University, Northern Virginia Community College, and the George Washington University.

Ms. Raymond reported that RHC participates with all major insurance providers, including Kaiser Permanente and Inova's Innovation Health. With respect to the implementation of the Affordable Health Care law, RHC has not been excluded from any of the plan networks, but as with other areas of the law, this could change and RHC continues to monitor any new developments.

The hospital provided approximately $30 million of uncompensated health care in FY 2012, which excludes $9 million in bad debt charges. RHC's Charity Care Program and Financial Discount Policy are available publicly on the hospital's website and are included in all patients' billing documents. Free, medically necessary care is available to uninsured patients with household incomes at or below 200% FPL. An Uninsured Discount is available to uninsured patients with household incomes above 200% FPL. The Uninsured Discount represents up to 73% of total charges with an additional percentage taken off if their account is paid in full at the time of service. There is no time limit imposed on patients applying for RHC's charity care or uninsured discount policies.

Eligibility specialists and case managers provide assistance to low income patients applying for Medicaid as well as RHC's charity care and uninsured discount programs. Translational assistance, including American Sign Language (ASL), is provided free of charge to all non-English speaking patients. Case managers also work with patients to navigate the county's safety net system, which includes the Community Health Care Network (CHCN).

Ms. Raymond also stated that RHC's contracted physicians are required, under the terms of their agreements with RHC, to participate with all insurance providers that the hospital accepts. The HCAB was encouraged by this information as there have been issues with other hospitals that are recognized by a patient's insurance carrier as a network provider but use physicians or physicians groups (e.g., radiologists, anesthesiologists, emergency departments, etc.) who are not, resulting in large out-of network co-pays and co-insurance costs.

Ms. Raymond reported that there are no deficits in its specialty care network. Ms. Zuvekas noted that there are certain specialty fields (e.g., neonatal care, cardiac surgery) where RHC is not a recognized provider. Ms. Raymond agreed and said that RHC would like to grow these specialties, but acknowledged the regulatory processes and high volumes required.

The HCAB agreed to send a memo to the BOS summarizing RHC's report.

Inova Health System FY 2014 Fiscal Plan

Mark Runyon, Senior Vice President (SVP), Finance, Karen Berube, Assistant Vice President (AVP), Population Health Management, Jennifer Siciliano, Vice President (VP), Government Relations, and Michael Forehand, Director, Advocacy and Community Outreach presented Inova's FY 2014 Fiscal Plan.

Mr. Runyon began the presentation by noting that Inova's performance is below where it would normally be with net revenues down and expenses up. Several factors have contributed to Inova's lower earnings including major infrastructure and capital reinvestment spending, Epic implementation, the launch of two new insurance vehicles, and lower volumes and declining reimbursement at all its acute care facilities.

Mr. Runyon summarized Inova's capital projects. The new 174-bed, $188 million Inova Fairfax Hospital (IFH) South Patient Tower opened. The renovation of IFH's Old Tower Building is underway with an estimated cost of $100 million. The new IFH Women & Children's Hospital is under construction and despite budgeting $850 million, Mr. Runyon stated that decreasing construction costs would translate into the project coming in at $810 million.

Major projects at Inova Mount Vernon Hospital (IMVH) include the opening of the $34 million Lorton HealthPlex. The IMVH Tower expansion is underway and is budgeted at $44 million. The IMVH's Emergency Department (ED) expansion is budgeted at $33 million and will increase the number of ED bays to 35.

Major projects at Inova Fair Oaks Hospital (IFOH) include the new Medical Office Building (MOB) 4, which will house radiology and oncology services. Construction on the expanded IFOH surgery center is also underway and is budgeted at $36 million.

According to Mr. Runyon, the large amount of Medicaid business already seen by Inova facilities and the potential expansion of Medicaid coverage resulting from the ACA presented Inova with a risk and an opportunity. Inova's Board approved the acquisition of the former Amerigroup-Virginia Medicaid Health Plan in 2012. The plan has approximately 55,000 members with 40,000 in Northern Virginia. INTotal Health should provide Inova with an already established vehicle to accept risk for the Medicaid population and complement its care-redesign strategies. INTotal Health's start up costs have been higher than expected: the plan is projected to generate $188 million in net revenue and $6 million of operating income in 2014.

Start up costs for Innovation Health were also higher than expected resulting in the plan under performing. Individual products are currently being offered directly and through the public exchange effective January 1, 2014. Inova employees will migrate to this plan on January 1, and the Fairfax County Public Schools (FCPS) selected Innovation Health as one of two plan offerings, adding considerable credibility to the plan.

The Epic Clinical System has been implemented at all Inova sites. To date, the total capitalized costs for Epic are expected to top out at $168 million; these expenses include hardware, software, and training, but not operating costs, such as agency/contract nurses to backfill positions while Inova staff attended Epic training. Inova has received $15 million in meaningful use funds from Medicare and Medicaid. Additional monies are expected, but have not yet been received. Inova intends to enhance its existing Epic platform in the coming years with new modules for its lab, transplant, home health, and other lines of business.

Dr. Trahos, DO expressed concern about the migration of patient data to Epic from Inova's legacy EHR, GE Centricity, specifically with regards to older patients who have longer, more complicated patient histories that are not adequately captured in the Epic System. Truncated records can cause serious, and in some cases life threatening consequences for seniors experiencing a medical crisis. Mr. Finerfrock recognized the challenges of managing two EHR systems, and encouraged Inova to extend the system's download or expand its memory. Mr. Runyon stated that he would follow up with Marshall Ruffin, MD, Executive Vice President and Chief Technology Officer, to explore the possibility of migrating additional years of patient data to enhance the EHR's integrity and robustness.

Inova's 2013 operating results include flat admissions and ED volumes. Inova continues to see an increased number of observation stays. Sequestration cuts and Recovery Audit Contractor (RAC) activity drove lower net revenues. Mr. Finerfrock acknowledged limitations of the RAC process but underscored the program's purpose: to make sure providers are appropriately billing Medicare. While RAC focuses on areas

where Medicare has overpaid providers, there should be equal incentive to look at areas for underpayment.

Mr. Runyon said that managed care payers are following what Medicare is doing, and Inova will be subject to more managed care plan audits.

In addition to Epic, Inova incurred higher than expected costs preparing for ICD-10 remediation, which goes into effect October 1, 2014.

Inova's community benefits spending, based on the IRS 990 definition, are projected at $227 million in FY 2013 (9.6% of net revenue). Community benefits are budgeted at $232 million for FY 2014.

Inova's FY 2013 projected capital spend is $386 million (316% of FY 2013 projecting operating income). Despite budgeting a 7.4% operating margin for FY 2013, Mr. Runyon stated that Inova will probably end the year at 4.8%, or $75 million below plan.

While inpatient admissions are budgeted to be flat, ED visits are expected to increase 2.5% in FY 2014. Inpatients' Average Length of Stay is projected at 4.6 days. Inova's 2014 operating margin is budgeted at 6.1% of net revenue.

Mr. Finerfrock expressed some concern over the budgeted increase in ED volumes given the changes in health care policy (e.g., patient centered medical homes, accountable care organizations) and the insurance market (e.g., higher copays) that are de-incentivizing ED utilization. However, Mr. Runyon explained that population growth and the uncertainty around Virginia expanding Medicaid justified a small increase in ED volumes for FY 2014.

Inova's five-year capital expenditures are budgeted at $2.2 billion, with 27% of that dedicated to IFH, 18% to routine capital replacements, and 35% to other major projects. Looking toward 2014, Inova is projecting $493 million in capital reinvestments.

Mr. Runyon explained that operating margins have been declining since 2012 due to lower volumes, revenue pressure, and higher investment spending (e.g., Epic, construction, etc.). As a result, Mr. Runyon announced a 2014 charge increase of 2.5%.

In response to how much money Inova has in reserve, Mr. Runyon stated $2.7 billion.

Based on the schedules included in Inova's budget materials, Mr. Finerfrock observed that something in Inova's system, other than the hospitals, were losing money. Mr. Runyon said that Inova's Translational Medicine Institute (ITMI) operating expenses were $24 million in 2013 and were projected at $28 million for 2014.

In response to Ms. Zuvekas' question about how much revenue would be generated from increasing gross charges by 2.5%. Mr. Runyon replied between $6 and $7 million. Rose Chu asked what kind of outsourcing activities were accounting for the drop in Inova's salary costs. Mr. Runyon said that several opportunities were identified to outsource ancillary services, including dietary food and nutritional support, employee child care (e.g., Bright Horizons), medical courier/transportation services (e.g., MedSpeed), and inpatient dialysis. He also shared that Inova will pilot two retail pharmacies at Inova Fairfax Hospital (IFH) and Inova Fair Oaks Hospital (IFOH). Retail pharmacies may be expanded to other sites depending on the pilot's outcomes.

Dr. Trahos, DO observed that the costs for community physicians to transition to Epic were unaffordable. Mr. Runyon acknowledged this concern, but said within its licensing agreement, Inova has discounted the program as much as it can.

Mr. Finerfrock asked about Inova's shift from community-based to hospital-employed physicians. He said that facilities are paid more when they bill hospital-based physician services, which has a significant impact on patients' co-insurance, copays, and Medicare allowables.

Mr. Runyon replied that Inova does not charge facility fees and if Inova hires a doctor who provides ancillary services, that provider's charges are part of the hospital's fee screens.

Ms. Zuvekas noted the improvements in Inova's Health Equity and Services for the Hearing Impaired. Mr. Runyon said that Inova was obligated to overhaul the IFH campus in order to comply with the requirements of a consent decree, but chose to expand these improvements to the entire system. This service line is budgeted for a decrease in 2014 given that the ramp up costs are no longer needed and the program can operate at a normal run rate.

With respect to PACE, Mr. Runyon acknowledged that the program has underperformed. Fifty patients are currently enrolled and by the end of 2014, Inova hopes to be close to 100.

Mr. Runyon said that Inova is receiving enrollments from healthcare.gov, and he will follow up at a future meeting with exact numbers. Prices for Innovation Health Products are relatively high, but only for those plans that cover barriatrics. Mr. Runyon said that he is not aware that Inova has been excluded from any networks. Inova no longer has a contract with Kaiser Permanente.

Mr. Finerfrock asked whether Inova's contracted physicians are required to participate with all the insurance providers that the hospital accepts. Mr. Runyon said that they are.

Karen Berube announced that Rod Williams will oversee the Community Health Needs Assessments. She will follow up with him regarding the program's implementation plans. The OB transition continues to go well with Herndon slate to go next.

Ms. Zuvekas moved that the HCAB send a memo to the BOS summarizing Inova's FY 2014 capital plan without commenting on the proposed 2.5% rate increase. Ellyn Crawford seconded the motion.

The motion passed
7 – Y, 1 abstain.

Health Department Strategic Plan
Due to the excessive construction noise, Marie Custode agreed to return to the HCAB in January to present the Health Department's strategic plan.

Other Business
Rosalyn Foroobar reported that a meeting is scheduled for Dr. Eapen, Medical Society of Northern Virginia, Dr. Glossa, CHCN Medical Director, Karen Berube, Inova, and Health Department staff to look at specialty provider care.

Dr. Yarboro suggested that the HCAB reach out to the presidents of Inova Hospitals and RHC's medical staffs and invite them to an upcoming meeting where appropriate. For example, these physicians are an important component to the specialty care problem.

There being no further business, the meeting adjourned at 9:31 pm.